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SUBJECT: THE OLMERT SUCCESSION: PROSPECTS FOR A SMOOTH TRANSITION  
VERSUS EARLY ELECTIONS

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SUMMARY AND INTRODUCTION  
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¶1. (SBU) A rumor floated by the Prime Minister's office around midnight August 24 raised the media specter of PM Olmert's resignation. The background: the absence of a government majority for passage of the 2009 draft budget, although strenuous negotiations past midnight secured the budget's passage by a single vote [13-12]. Olmert's rumored resignation, which might have disrupted the best-laid plans of the Kadima Primaries candidates, was averted. But it served to remind the political echelon of the uncertain prospects for a smooth transition of government and the need to prepare for early elections if the winner of Kadima's leadership primaries fails to form a viable government.

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CANDIDATES MUST COVER ALL THE BASES  
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¶2. (SBU) Now that registration of candidates has closed and the Kadima primaries are on track for mid-September, the candidates are trying to lay the groundwork, not only for individual victory, but for the work of coalition-building which must follow. They do so in the knowledge that in the absence of a smooth transition, the "Olmert succession" will necessitate early elections. The candidates, whether in the Kadima primaries or in eventual elections to the Knesset, must also prepare for additional scenarios which may derive from the resignation or possible suspension of the prime minister.

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THE PM'S PLOY  
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¶3. (SBU) Sunday night's rumor of Olmert's possible resignation against the background of an unruly coalition raises the prospect that this threat may be repeated when the 2009 draft budget comes to a critical plenary vote after the Knesset reconvenes in late October. PM Olmert could stop short of resignation and emulate his predecessor Ariel Sharon who, in 2005, fired cabinet ministers who voted against the budget in the Knesset. Sharon's well-padded cabinet could afford the luxury; in Olmert's depleted coalition this would spark a crisis -- but its deterrent value might outweigh the risk: Few of his coalition partners would gamble away a certainty of government office for a shot at membership in a hypothetical future coalition that might be equally incapable of passing a draft budget. Olmert is banking on it. Failure to pass the budget law results, ultimately, in dissolution of the Knesset.

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OLMERT AND THE INDICTMENT SCENARIO  
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¶4. (SBU) Punctuating this uncertain prelude to the Kadima primaries are intermittent "noises offstage" from the Israel Police

investigators, who say that in the next two weeks, they may recommend Olmert's indictment on criminal charges in three current investigations. PM Olmert is being questioned with increasing frequency -- most recently on 22 August -- and for incrementally extended durations. An indictment that would trigger his resignation or suspension from office would have significant implications for Kadima, rival political parties and the Israeli electorate. The scheduled September 17 date of the first round of the Kadima primaries makes the likelihood of a prior indictment minimal. PM Olmert is on record as saying, "If Attorney General Menachem Mazuz decides to file an indictment against me I shall resign immediately, even though I am not required to do so by law."

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ENTER THE PRESIDENT...  
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15. (SBU) In the event of an indictment, and if Olmert chooses to abide by this commitment, he sets in motion a constitutional process whereby President Peres tasks a Member of Knesset with the formation of a government. In doing so the President would be free to disregard the Kadima primaries' schedule and turn to other party leaders -- though not to Labor's Ehud Barak, since he is not a member of the Knesset -- to form a government. President Peres could also consider tasking Vice Premier Haim Ramon or Alternate Premier Tzipi Livni, both of them members of Kadima, or Kadima itself might seek to bring its primaries forward if it thought this might affect the President's choice.

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A POST-PRIMARIES SCENARIO

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16. (SBU) A month ago, in a dramatic personal statement to the nation on prime time television, PM Olmert announced that he would not be contesting the Kadima primaries and took the unusual step of declaring his intention to resign once a new Kadima leader had been chosen. Olmert did not provide a timeframe: "I decided that I will not run in the Kadima Party primaries. In addition, I have no intention of interfering in the internal elections which will take place, as decided at my initiative, and I will gladly accept the results....When a new chairperson for the party is elected, I will resign my post as prime minister in order to allow the elected chairperson to assemble another government swiftly and efficiently."

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THE DEFAULT OPTION: EARLY ELECTIONS  
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17. (SBU) The key word "immediately" which Olmert used ten weeks earlier to qualify his intention to resign, if indicted, was missing from this later statement. Its absence has left the pundits guessing as to just when the PM might implement this commitment in the wake of the Kadima primaries. Articles 19 and 7-11 of the Basic Law: the Government allow a maximum delay of just over 6 months for the tasking of MKs with the formation of a government or alternatively for agreement on a date for early elections. Under the law's provisions, the constitutional clock does not start ticking through the 6-month delay until the Prime Minister's resignation goes into effect, which is why Olmert's lack of specificity on a time frame in this regard has been noted by politicians and pundits alike. There is also a consensus among commentators that regardless of who secures the leadership of Kadima in the coming primaries contest, the victor will encounter serious problems in forming a viable coalition, making early elections highly probable within 6 months of Olmert's as yet undetermined resignation.